

CITY OF PRINCETON
Princeton, Kansas
REGULATORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2019
And
INDEPENDENT AUDITOR'S REPORTS

...*KL*...

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Certified Public Accountants

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CITY OF PRINCETON, KANSAS

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

The Honorable Mayor and City Council
P.O. Box 58
Princeton, Kansas 66078

We have audited the accompanying water and sewer fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Princeton, Kansas as of and for the year ended December 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Princeton to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Princeton as of December 31, 2019, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the water sewer funds aggregate cash and unencumbered cash balance of the City of Princeton as of December 31, 2019, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinion on the water and sewer fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1, 2, and 3 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying

accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Karlin & Long, LLC

Karlin & Long, LLC
Certified Public Accountants

Lenexa, KS
December 15, 2020

CITY OF PRINCETON, KANSAS
 Summary Statement of Receipts, Expenditures, and Unencumbered Cash - Water and Sewer Funds
 Regulatory Basis
 For the Year Ended December 31, 2019

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
Proprietary Type Funds:							
Water fund	\$ 146,854	-	\$ 74,631	\$ 83,961	\$ 137,524	-	\$ 137,524
Sewer fund	94,432	-	26,760	21,502	99,690	-	99,690
Total Reporting Entity	<u>\$ 241,286</u>	<u>\$ -</u>	<u>\$ 101,391</u>	<u>\$ 105,463</u>	<u>\$ 237,214</u>	<u>\$ -</u>	<u>\$ 237,214</u>
Composition of Cash							
				Checking Accounts	\$ 185,430		
				Savings Accounts			
				Certificates of Deposit			51,784
				Total Reporting Entity			<u>\$ 237,214</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PRINCETON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Princeton, Kansas is a municipal corporation governed by an elected six member council. The regulatory statement presents the City of Princeton. There are no organizations which meet the criteria for being combined in the City's report.

Regulatory Basis Fund Types

General Fund – The chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds - Used to account for the proceeds of specific tax levies and other specific revenue sources (other than major capital projects and tax levies for long-term debt) that are intended for specified purposes.

Business Funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. water fund, sewer fund, etc.)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt. Accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

CITY OF PRINCETON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the General Fund, Special Purpose Funds (unless specifically exempted by statute), Bond and Interest Funds, and Business Funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenues other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the 2019 year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

CITY OF PRINCETON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (continued)

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital projects funds, trust funds and the following special revenue funds:

- 1) Capital Improvement Fund,
- 2) Equipment Reserve Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 2 – Stewardship, Compliance and Accountability

Compliance with Kansas Statutes

We noted no violations of Kansas Statutes for the period under audit

NOTE 3 – Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the government. The statute requires banks eligible to hold the government's funds have a main or branch bank in the county in which the government is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The government has no other policies that would further limit interest rate risk.

CITY OF PRINCETON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Deposits and Investments (Continued)

K.S.A. 12-1675 limits the government's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The government has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the government may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. State statutes require the government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2019.

At December 31, 2019, the government's carrying amount of deposits was \$381,278 and the bank balance was \$381,278. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, \$381,278 was covered by federal depository insurance and \$ -0- was collateralized with securities held by the pledging financial institutions' agents in the government's name.

Custodial Credit Risk- Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

CITY OF PRINCETON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Defined Benefit Pension Plan

Plan Description – The City of Princeton, Kansas participates in the Kansas Public Employees Retirement System (KPERs), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. KPERs' financial statements are included in its Comprehensive Annual Report which can be found on the KPERs website at www.kpers.org or by writing to KPERs (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERs member-employee contribution rates depending on whether the employee is KPERs 1, KPERs2, or KPERs 3 member. KPERs 1 members are active and contributing members hired before July 1, 2009. KPERs 2 members were first employed in a covered position on or after July 1 2009, and KPERs 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERs member-employee contribution rate at 6% of covered salary for KPERs 1, KPERs 2, and KPERs 3 members. Member contributions are withheld by their employer and paid to KPERs according to provisions Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERs 1, KPERs 2, and KPERs 3 be determined based on results of each annual actuarial valuation. Kansas sets a limitation on annual increases in the employer contributions rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.89% for the fiscal year ended December 31, 2019. Contributions to the pension plan from the City of Princeton, Kansas were \$ -0- for the year ended December 31, 2019.

Net Pension Liability

At December 31, 2019, the City of Princeton, Kansas' proportionate share of the collective net pension liability reported by KPERs was \$ -0-. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined was an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The City of Perry, Kansas' proportion of the net pension liability was based on the ratio of

CITY OF PRINCETON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Defined Benefit Pension Plan (continued)

the City of Princeton, Kansas' contributions to KPERs, relative to the total employer and non-employer contributions to the Local subgroup within KPERs. Since KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actual valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERs collective net pension liability to all participating employers are publicly available on the website www.KPERs.org or can be obtained as described above.

NOTE 5 – Other Long Term Obligations from Operations

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the city is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the city makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Compensated Absences

City employees are allowed to take vacation and sick leave. Vacation pay is not provided due to the employees being considered part time. Upon termination, employees are not compensated for any unused vacation leave. Sick leave is provided as needed. The employees are expected to complete the tasks at any time available. Amounts as compensated absences have not been recorded in the financial statements due to its immaterial nature.

NOTE 6 – Claims and Judgments

The City is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The City has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2018 to 2019 and there were no settlements that exceeded insurance coverage in the past three years.

CITY OF PRINCETON, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Claims and Judgments (continued)

During the ordinary course of its operations the City is a party to various claims, legal actions and complaints. It is the opinion of the City's management and legal counsel that these matters are not anticipated to have a material financial impact on the City.

NOTE 7 – Interfund Transactions

No operating transfers were from or to the Utility Funds during the year under audit.

NOTE 8 – Subsequent Events Review

Subsequent events for management's review have been evaluated through December 15, 2020. The date in the prior sentence is the date the financial statements were available to be issued.

NOTE 9 – Long Term Debt

The schedule of long term debt and current maturities for the next five years is detailed in the following schedule.

CITY OF PRINCETON, KANSAS

NOTES TO FINANCIAL STATEMENTS

Note 9 - Long Term Debt

Changes in long-term liabilities for the City for the year ended December 31, 2019 were as follows:

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid		
General Obligation Bonds												
2006 Issue	4.50%	9/8/06	\$ 373,500	9/13/46	\$ 319,000	-	\$ 6,000	\$ (6,000)	\$ 313,000	\$ 14,355		
Kansas Water Pollution Control Loan												
2008 Issue	2.58%	3/1/08	\$ 142,161	3/1/28	70,183	-	6,758	(6,758)	63,425	1,797		
Total Long Term Debt					\$ 389,183	\$ -	\$ 12,758	\$ (12,758)	\$ 376,425	\$ 16,152		
Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:												
		2020	2021	2022	2023	2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2046	Total
Principal												
General Obligation Bonds	\$ 6,000	\$ 6,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 42,000	\$ 52,000	\$ 65,000	\$ 82,000	\$ 39,000	\$ 313,000
Special Assessment Bonds												-
Certificates of Participation	6,935	7,116	7,302	7,492	7,688	7,688	26,892					63,425
Capital Leases												-
Revenue Bonds												-
Temporary Notes												-
Total Principal	12,935	13,116	14,302	14,492	14,688	14,688	68,892	52,000	65,000	82,000	39,000	376,425
Interest												
General Obligation Bonds	14,085	13,815	13,545	13,545	13,230	13,230	61,155	51,255	39,060	23,670	5,220	248,580
Special Assessment Bonds												-
Certificates of Participation	1,620	1,439	1,253	1,063	867	867	1,419					7,661
Capital Leases												-
Revenue Bonds												-
Temporary Notes												-
Total Interest	15,705	15,254	14,798	14,608	14,097	14,097	62,574	51,255	39,060	23,670	5,220	256,241
Total Principal and Interest	\$ 28,640	\$ 28,370	\$ 29,100	\$ 29,100	\$ 28,785	\$ 28,785	\$ 131,466	\$ 103,255	\$ 104,060	\$ 105,670	\$ 44,220	\$ 632,666

City of Princeton, Kansas
Regulatory-Required
Supplementary Information
For the year ended December 31, 2019

CITY OF PRINCETON, KANSAS
 Summary of Expenditures - Water and Sewer Funds - Actual and Budget
 Regulatory Basis
 (Budgeted Funds Only)
 For the Year Ended December 31, 2019

Funds	Certified Budget	Adjustments to Comply with Legal Max	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds						
Proprietary Type Funds						
Water fund	\$ 160,158	\$ -	\$ -	\$ 160,158	\$ 83,961	\$ (76,197)
Sewer fund	119,032	-	-	119,032	21,502	(97,530)

CITY OF PRINCETON, KANSAS
BUSINESS FUND
WATER UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Charges to customers	\$ 73,453	\$ 75,000	\$ (1,547)
Meter deposits	-	100	(100)
Tap fees	-	-	-
Sales tax	-	800	(800)
Miscellaneous revenues	-	1,200	(1,200)
Interest income	1,178	25	1,153
	<u>74,631</u>	<u>77,125</u>	<u>(2,494)</u>
EXPENDITURES			
Salaries	7,273	10,000	(2,727)
Water purchase	38,097	45,000	(6,903)
Supplies	1,644	2,600	(956)
Contractual	3,256	5,000	(1,744)
Utilities	1,425	2,500	(1,075)
Insurance	4,566	3,000	1,566
Audit/Legal fees	-	1,500	(1,500)
Sales tax	1,250	1,000	250
Kansas water fees	376	800	(424)
Equipment	-	500	(500)
Returned checks	-	400	(400)
Permits, dues, lab fees	2,200	1,000	1,200
Demand 50%	1,635	3,000	(1,365)
Gasoline	-	600	(600)
Training	-	200	(200)
Office supplies	1,359	1,500	(141)
Refund meter deposit	225	500	(275)
Loan payments	20,355	20,355	-
Capital outlay	-	60,378	(60,378)
Courier services	300	200	100
Publications	-	125	(125)
Miscellaneous	-	-	-
Adjustment for qualifying budget credits	-	-	-
	<u>83,961</u>	<u>\$ 160,158</u>	<u>\$ (76,197)</u>
Receipts Over (Under) Expenditures	(9,330)		
Unencumbered Cash, Beginning	146,854		
Prior Year Cancelled Encumbrances	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 137,524</u>		

CITY OF PRINCETON, KANSAS
BUSINESS FUND
 SEWER UTILITY FUND
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2019

	Actual	Budget	Variance- Over (Under)
CASH RECEIPTS			
Sewer charges	\$ 26,760	\$ 25,500	\$ 1,260
Sewer deposits	-	-	-
Miscellaneous revenues	-	-	-
Operating transfers	-	-	-
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	26,760	25,500	1,260
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Salaries	5,442	7,000	(1,558)
Supplies	384	1,800	(1,416)
Contractual	4,236	2,500	1,736
Utilities	-	600	(600)
Chemicals	-	3,000	(3,000)
Gasoline	-	500	(500)
Insurance	2,200	2,000	200
Audit/Legal fees	-	3,000	(3,000)
Permits, dues	-	150	(150)
Lab fees	452	2,000	(1,548)
Loan payment	8,788	9,788	(1,000)
Capital outlay	-	84,694	(84,694)
Permits	-	2,000	(2,000)
Miscellaneous	-	-	-
Adjustment for qualifying budget credits	-	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	21,502	\$ 119,032	\$ (97,530)
	<hr/>	<hr/>	<hr/>
Receipts Over (Under) Expenditures	5,258		
Unencumbered Cash, Beginning	94,432		
Prior Year Cancelled Encumbrances	-		
	<hr/>		
Unencumbered Cash, Ending	<u>\$ 99,690</u>		

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Karlin & Long, LLC
Certified Public Accountants

December 15, 2020

To the City Council
City of Princeton, Kansas

We have audited the financial statements of the governmental activities of the City of Princeton, Kansas for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and the Kansas Municipal Audit and Accounting Guide, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the use of the statutory basis method in compliance with the Kansas Municipal Audit and Accounting Guide for the preparation of the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the regulatory required supplemental information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City of Princeton, Kansas and is not intended to be, and should not be, used by anyone other than these specified parties.

Cordially

Karlin & Long, LLC

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Certified Public Accountants